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Report Highlights:

The upcoming free trade agreement between U.S. and Morocco should provide new opportunity for U.S. exporters of food products.

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SECTION I. MARKET OVERVIEW

Located in the North-Western corner of Africa, the Kingdom of Morocco is only few miles away from Europe. The country's 3,500 kilometers Mediterranean and Atlantic coast lines makes fishery a major component in the Moroccan economy. Agriculture accounts for an average of 15 of the gross domestic product and consists of a traditional rainfall-dependent sector as well as modern export-oriented production. Morocco has the largest world phosphate reserves and is currently exporting several high value phosphate derivatives.

Morocco and the U.S. are on the eve of starting negotiations for a free trade agreement that should result in a significant reduction of import duties for U.S. exports, including agricultural and food products and should provide many new opportunities for U.S. exporters.

Current Economic Situation: Morocco's economic growth fluctuates heavily with agricultural output which is largely determined by rainfall. Growth has varied from 11 percent to minus 1 percent largely because of the lack of rainfall. About 90 percent of the Moroccan agriculture depends more or less on rainfall. In 2001/2002, agricultural output was negatively affected by the drought especially in the southern parts of Morocco. Non agricultural sector grew by about 4.0 percent in 2001. Inflation has been contained at low levels for the last 10 years and was 0.5 percent in 2001. Employment is on the top of the Government priority list as the unemployment rate is over 20 percent in urban areas.

Record remittances from over 1 million Moroccans working abroad (in Europe) and revenues from over 2.2 million tourists visiting Morocco each year largely offset the negative trade balance. They helped to replenish significantly the exchange reserve at a record level (currently at over \$9.0 billion) which represents the equivalent of over 11 months of Morocco's imports. Also, thanks to the sale to private investors of part of the GOM telecommunication company, foreign investments reached a record high of nearly \$3 billion.

Banking System: The banking system is well developed and most banks are private and have correspondent banks in Europe and in the U.S. Foreign currencies are readily available to importers upon presentation of appropriate import documents. Although the use of Letters of Credit is common, many importers prefer to shift to use of payments against documents after the first few operations. Advance payments are prohibited by the current exchange regulations. Importers have free access to foreign currency.

Morocco has been liberalizing its economy and trade. There is little government involvement in imports and processing of food products, especially consumer-oriented products. The sugar processing industry is where the GOM is involved the most although all sugar beet and cane mill are all scheduled to be privatized. The GOM completely phased out the subsidy for vegetable oil but it is still heavily subsidizing sugar and some wheat flour at the retail level to make them accessible to the low income population. Prices of virtually all consumer oriented products are market determined.

Key Demographic Development: Morocco's population is about 30 million, of which half live in the rural areas. Also, about 55 percent of the population is less than 25 years old. The middle class is

steadily increasing and the family size is becoming smaller (average of 3-4 children). The illiteracy rate is over 55 percent and is much higher in the rural areas. Islam is the prevailing religion. Arabic is the prevailing language and while Moroccans understand classical Arabic, they use mostly the local dialect that classical Arabic speakers may find hard to understand. French is the business language.

For the most part, Moroccan home cooking remains traditional, but change is coming, especially in large cities where there is a tendency for young families to adopt the western lifestyle. The number of women working outside the home is steadily increasing, which results in higher income for the family but also forces its members, when they can afford it, to turn to ready-for-use or semi-processed products instead of traditional, time-consuming, home-made products. This is particularly true in large cities such as Casablanca, Rabat, Marrakech, Fes, Agadir, and Tanger where distribution channels have shown in recent years a rapid development. Today, local producers and importers of consumer-oriented food products are able to deliver many new products to consumers under good conditions.

Consumer Spending: The bulk of the demand for consumer-oriented food products comes from the large cities where population with higher income lives. It has been estimated that about 10 percent of the population, 3 million, can afford to buy imported products and do spend nearly 11 times more than the 10 percent of the population with the lowest income.

Advantages and Challenges

Advantages	Challenges
Upcoming free trade agreement between Morocco and the U.S. provide new opportunities.	Geographical disadvantage. Spain is few miles from Morocco. High U.S. shipping costs.
FAS/USDA offers free trade servicing to exporters visiting Morocco.	No Direct shipping lines. Transit through Europe is necessary.
Local production fluctuates widely with the weather which makes Morocco dependent on imports.	French continues to be the predominant business language.
Many high value food products are not known to the Moroccan consumer, which means there is room for many new products.	Many products that are common in the U.S. are not known in Morocco and need to be promoted.
The local food processing industry is upgrading and becoming more quality conscious.	Limited Purchasing Power. An estimated 10 percent of the population (3 million) is able to buy regularly imported products.
Increasing middle class. Increasing number of women working outside home.	Traditional distribution networks are still predominant for many food products, especially in rural areas.
Western culture driven youth.	High customs duties and taxes on imported food products.
American products are synonymous with quality in many cases.	Lack of knowledge about U.S. industry, standards, and grades.
Fast developing modern distribution channels	Moroccan importers traditionally do business through European brokers and traders.

SECTION II. EXPORTER BUSINESS TIPS

- G** Most of the importers are located in Casablanca and imports by containers are mostly done through the port of Casablanca.
- G** For food standards and regulations, including food labeling see the Attache report: Food and Agricultural Imports Regulation and Standards Report (FAIRS) MO2015 at: www.fas.usda.gov
- G** To clear customs, importers are required to present a sanitary certificate for all animal food and fresh fruits and vegetables products they import. A local laboratory analysis done by Official Laboratories may also be required to clear customs especially for newly and unfamiliar imported products.
- G** Often Moroccan importers are not familiar with products that are common in the U.S. Also, many importers are not used to use U.S. grades, standards, and U.S. appellations. Exporters are advised to provide pictures, brochures, or even samples to Moroccan importers. Many local importers require samples before making any purchase commitments.
- G** Moroccans use only metric system for measurement.
- G** Although an increasing number of Moroccan importers can communicate in English, French is still the predominant business language. Exporters with French capabilities or French written promotional materials will definitely have an advantage in dealing with importers.
- G** Imports and distribution of food and beverage products in Morocco are handled both by regular importers but also by importers who work on an occasional basis. Regular importers market their products through their own sales force (typically to hotels, supermarkets, wholesalers) and through independent well-established wholesalers (in case of small shops, restaurants). U.S. exporters interested in selling consumer-ready food or beverage products should find a local importer to access the retail market. Importers normally have in depth knowledge of specific importing procedure
- G** Telecommunications are generally adequate. Internet and Email are available in most hotels and increasingly in "Cyber Café" shops throughout Morocco. Phone calls from hotels can be excessively expensive.
- G** The holy month of Ramadan is not a holiday but business slows down significantly because Muslims fast during the day. Most restaurants close during this month, alcohol is not served and people are not allowed to smoke during the day. Exporters should try to concentrate their meetings in the morning. Surprisingly, consumption of some products (such as honey, sugar, butter, vegetable oil, dairy products, etc.) Increases during Ramadan. This year, Ramadan

starts November 17.

- G** Customs duties: Typically, imported food goods are subject to an ad valorem import duty of 50 percent, a 0.25 percent ad valorem Export Promotion Tax, and in most cases a Value Added Tax (VAT) computed on top (from 0-20 percent). As an example, a typical consumer-oriented product is subject to the following when imported into Morocco:

If the original value CIF & port charges is	100.00 dirhams
Ad valorem import duty	50.00 percent
Value after import taxes	150.00 dirhams
VAT at 20% of 150 dirhams	30.00 dirhams
Total after customs duties and taxes	180.00 dirhams
Export Promotion Tax (0.25%)	0.25 dirhams
Final value (all taxes and duties paid)	180.25 dirhams

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

The limiting factor to the increase in demand for consumer-oriented products is the low income combined with the high duties on imported food products.

In spite of the major changes in distribution channels over the last few years, the retail food outlets in Morocco continue to be dominated by a large number of small grocery stores. It has been estimated that 90 percent of the food retail stores are less than 225 square feet large. The number of supermarkets has increased considerably in recent years and more are under construction, especially in large cities. Today, in addition to the estimated 200 small supermarkets (2 registers, 1000 ft²-3500 ft²) there are about 38 large supermarkets of which 20 are large and comparable to large supermarkets in the U.S. All supermarkets are privately owned and some have been opened by multinational chains or as a joint venture with Moroccan investors. Also over the last few years a number of modern self-service retail outlets, including convenience stores, opened in major cities and this trend is likely to continue in the future.

Moroccans are regularly exposed to western culture in their daily life, especially through television (an estimated 1 million TV satellite dishes). Thus, the steady western influence on Moroccan lifestyles is expected to result in even higher demand for consumer oriented products in the future.

U.S. exports of consumer-oriented products will continue to be dampened by the high freight costs and length of shipping time resulting from the lack of direct shipping lines between Morocco and the U.S.. The small size of the Moroccan market can be partly circumvented through consolidated shipments from the U.S. but it will continue to favor small shipments from neighboring countries (Europe).

The Moroccan food industry is dominated by a large number of small family enterprises that average less than 50 employees. The government still owns some food processing units such as sugar processing mills, tobacco processing plants, and alcoholic beverages manufacturers. Exports of the food industry are mostly canned fruit, canned vegetables, and canned fish.

High Value Products for Food Processing Sector: The U.S. has a greater potential to export semi-finished products and products for industrial uses such as milk powder, cheese, processed nuts, and other ingredients. As local producers are becoming more quality conscious, U.S. suppliers can play a major role in fulfilling the demand for regular quality products. Most of the food processors purchase their ingredients from well-established importers or from local agents of multinationals. Very few large processors purchase their ingredients directly from exporters abroad. Thus, U.S. exporters are advised to go through local suppliers of ingredients to be able to use their distribution network. The local industry is committed to develop further in the future to resist stiffer competition. Many local producers (biscuit plants, confectioneries, canneries, etc.) started offering a new range of products to maintain their market share and compete with imported products.

High Value Products for Hotels, Restaurants, and Institutional (HRI): Although there are over 550 graded hotels in Morocco, the potential market for the U.S. consumer oriented products consists essentially of 40 upscale hotels (5 stars) concentrated mostly in Agadir, Marrakech, Casablanca, Rabat, and Fes, about 25 tourist villages and clubs, and over 103 hotels graded as 4 stars. Other hotels target lower income customers and don't offer regularly imported food and beverages to their clients. Most of the over 2.2 million tourists are European or American. Most hotels purchase their food products from local distributors that are also in some cases importers. U.S. suppliers should try to work with these distributors to enter this market as hotels and hotel chains managements are rarely willing to get involved in import operations because of the small volume involved.

In addition to the Moroccan, Asian, and other specialty restaurants, there are less than 150 Western-style restaurants in Morocco that do or may potentially use imported products on a regular basis. Most of these restaurants buy directly from local distributors/importers because of the low volume involved. U.S. exporters are strongly encouraged to go through the established importers that have their sales force.

Export of Seafood Products to Morocco: Although Morocco is a net exporter of fish products (over \$600), there is a window for some U.S. seafood products. The demand should come mostly from the upper class hotels and restaurants located in major cities. The per capita consumption of fish is low in Morocco and consists mostly in fresh low priced pelagic species such as sardines. Inadequate distribution channels have been a major limiting factor to increased fish consumption. Thus, few importers have appropriate facilities and refrigerated trucks to supply frozen food to supermarkets. Also, few supermarkets have equipment to handle and exhibit frozen or refrigerated fish. Finally, it is estimated that only 38 percent of the Moroccan families have refrigerators.

New exporters are advised to work closely with already established frozen food importers that are also distributors to use their distribution network and experience. The volume of seafood used by the hotels and restaurants remains relatively small and thus it is still more beneficial for them to purchase from the local distributors. U.S. suppliers can work closely with the local distributor to carry on promotional activities in selected hotels, restaurants, and supermarkets.

Fast Food - Franchising: American fast-food outlets have been some of the most successful businesses in Morocco in recent years. For example, McDonald's, Pizza Hut, Domino's Pizza, Kentucky Fried Chicken have all opened during the past 5 years. More outlets are scheduled to open in the near future in response to the higher demand for quality, "western type" food. The rapid growth in the sector stems from major economic changes in Morocco, including economic growth, higher disposable income, and the increased number of women working outside homes. The development of U.S. fast food outlets in Morocco has resulted in an increase of imports of food ingredients, including from the U.S., that the local industry is unable to provide on a regular basis.

SECTION IV. BEST HIGH VALUE PRODUCT PROSPECTS

- Dried fruits (dried Prunes, dried Raisins, dried apricots)
- Dried nuts (almonds, pistachios)
- Pulses (lentils, peas, chickpeas)
- Canned vegetables (especially canned corn)
- Canned fruit (especially tropical)
- Non salted butter
- Skimmed milk powder
- Fresh apples and pears
- Beef carcasses (Bone in, Frozen, Halal, Beef)
- Popcorn
- Confectionary
- Honey (especially during the holly month of Ramadan)
- Wine and beer
- Cereal derivatives
- Sauces & condiments

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

The Office of Agricultural Affairs at the American Embassy in Rabat provides trade servicing and information about the Moroccan market. The free service provided by this office includes providing market briefings, market tours, lists of importers, setting up agendas and meetings, hotel reservations, and in some cases providing translations and transportation.

U.S. Embassy / USDA - Foreign Agricultural Service Contacts:

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Working hours: 8:30-5:30pm Greenwich Mean Time (GMT). Monday-Friday

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FAIR, SHOWS, FOOD SHOWS

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Hotel Sheraton-Casablanca
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Hyatt Regency-Casablanca
Avenue Hassan II, Casablanca, Morocco
Phone:(212-2) 226-1234 Fax:(212-2)220-4446

Hotel Royal El Mansour
Phone:(212-2) 231-2112 Fax:(212-2)231-4818
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Holiday Inn Crown Plaza
Avenue Hassan II, Casablanca, Morocco
Phone:(212-2) 229-4949/229-3434 Fax:(212-2)229-3029/229-3035

Food Shows / Promotion Opportunities:

- ' **AMERICAN CAFÉ:** Exhibition of U.S. high value food products sponsored by USDA and organized at one of the best hotels in Casablanca. Very targeted audience that consists of importers, food brokers, distributors, hotel and restaurant managers, suppliers of institutions, etc. The Agricultural Affairs Office organizes in conjunction with this exhibition a market tour for U.S. exporters. For more information call the Agricultural Attache's Office in Rabat (212-3) 770-1135 or Email: AgRabat@fas.usda.gov
- ' **SAM SHOW:** March 2003. Currently the best food show in Morocco.

Workdays / Hours :

- ' Working days in Morocco are Monday through Friday.
- ' Morocco is on Greenwich Mean Time (GMT).
- ' Typically, working hours are 8:30-12:00 and 2:30pm-6:30pm. On Fridays (the prayer day), administration and some private companies working hours are: 8:30-11:30 and 3:00pm-6:30pm.
- ' Visits during August should be avoided because many businesses close for vacation.

Holidays:

- ' Religious holidays follow the lunar calendar and thus move back 11 days every calendar year.
- ' Below are Moroccan holidays for the coming year:

December 6/7, 2002	Aid El Fitr (End of the holy month of Ramadan)
February 12, 2003	Aid Al Adha (Feast of Lamb/Pilgrimage)
March 4, 2003	Moharem (First Moslem New Year)
May 1 st , 2003	Moroccan Labor Day
May 13, 2003	Aid Al Mouloud (Prophet's birthday)
July 30, 2003	Feast of the Throne
August 21 st , 2003	Youth Day (King's Birthday)
November 6, 2003	Green Marche Anniversary
November 18, 2003	Moroccan Independence Day
November 22, 2004	Aid El Fitr (End of the holly month of Ramadan)

Table A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$Mil.) / U.S. Market Share (%)	1,829	11%
Consumer Food Imports From All Countries (\$Mil.)/US Market Share(%)	168	2%
Edible Fishery Imports From All Countries (\$Mil.)/US Market Share (%)	7	0%
Total Population (Millions) / Annual Growth Rate (%)	30	2.1%
Urban Population (Millions) / Annual Growth Rate (%)	16	2.5%
Number of Major Metropolitan Areas ^(a)	11	
Size of the Middle Class ^(b) (Millions) / Growth Rate (%) ^(b)	3.0	2.0%
Per Capita Gross Domestic Products (\$U.S.)	\$1,150	
Unemployment Rate (%)	20%	
Per Capita Food Expenditures (\$U.S.) ^(c)	\$320	
Percent of Female Population Employed	25%	
Exchange Rate (US \$1 is:)	10.65 dirhams	

(a) Population in Excess of 500,000

(b) Estimated Population than can regularly purchase imported food products.

(c) AgAtt Estimates.

Table B: Consumer Food & Edible Fishery Products Imports

Moroccan Imports (Million of Dollars)	From All Origins			From U.S.			U.S. Market Share (Percent)		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Consumer Oriented Total	180	166	168	5	4	3	3	3	2
Snack Foods (Excl. Nuts)	6	6	7	1	1	1	1	1	1
Breakfast Cereals & Pancake Mix	1	1	1	1	1	0	1	7	0
Red Meats, Fresh/Chilled/Frozen	6	1	2	1	1	0	0	2	0
Red Meats, Prepared/Preserved	1	1	1	1	1	0	10	6	0
Poultry Meat	2	2	1	1	1	1	1	2	1
Dairy Products (Excl. Cheese)	65	49	63	1	1	1	1	2	1
Cheese	9	7	7	1	1	0	1	0	0
Eggs & Products	1	2	1	1	1	1	6	1	0
Fresh Fruit	6	10	8	0	1	1	0	0	0
Fresh Vegetables	16	17	14	0	1	1	0	0	0
Processed Fruit & Vegetables	10	10	9	1	1	1	12	15	3
Fruit & Vegetable Juices	3	3	2	1	1	1	0	1	1
Tree Nuts	2	2	2	1	1	1	2	5	6
Wine & Beer	5	7	4	1	1	1	18	10	18
Nursery Products & Cut Flowers	7	7	6	1	1	1	8	5	4
Pet Foods (Dog & Cat Food)	1	1	1	1	0	0	2	0	0
Other Consumer-Oriented Products	39	38	38	1	1	1	4	1	2
Fish & Seafood Products	12	9	7	1	1	1	0	1	0
Salmon	1	1	1	0	0	0	0	0	0
Surimi	0	1	1	0	0	0	0	0	0
Crustaceans	4	3	3	0	0	0	0	0	0
Groundfish & Flatfish	1	1	1	0	0	0	0	0	0
Molluscs	1	1	1	0	0	1	0	0	39
Other Fishery Products	7	5	4	1	1	0	0	1	0
Agric. Products Total	1,518	1,474	1,630	168	209	195	11	14	12
Agric., Fish, & Forestry Total	1,729	1,699	1,829	169	209	195	10	12	11

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. Top 15 Suppliers of Consumer Food & Edible Fishery Products

Moroccan Imports (Value in \$1,000)								
Consumer Oriented Agr. Products-400				Fish & Seafood Products - 700				
	1998	1999	2000		1998	1999	2000	
France	42,732	35,602	40,053	Netherlands	3,370	2,125	2,616	
Spain	17,388	19,034	18,136	Spain	6,544	4,497	1,819	
New Zealand	22,147	21,294	17,684	France	905	779	666	
Netherlands	13,947	14,293	14,378	Belgium	0	481	438	
U.K.	5,861	5,912	7,768	Senegal	0	0	342	
Germany	8,713	4,602	6,719	Argentina	279	86	274	
Australia	11,549	5,531	6,647	Chile	0	71	269	
Belgium	0	3,310	6,375	Norway	44	115	214	
Tunisia	4,875	4,541	6,192	U.K.	0	0	121	
Ireland	4,482	4,167	4,635	Iran	16	33	109	
Iran	2,203	2,558	3,675	Italy	130	81	100	
Italy	3,110	4,883	3,193	Indonesia	0	0	85	
USA	5,174	4,422	2,975	Germany	49	4	73	
Turkey	2,439	1,800	2,883	Canada	0	0	63	
Egypt	1,013	1,056	2,691	Cuba	8	43	59	
Other	33,893	32,516	24,139	Other	690	397	172	
World	179,532	165,518	168,152	World	12,035	8,715	7,420	

Source: United Nations Statistics Division